

# JPMORGAN CHASE & CO.

July 19, 2021

## **JPMorgan Chase Statement on MRAC Vote to Transition USD Interdealer Swap Market to SOFR**

JPMorgan Chase & Co. (JPMC) supports the CFTC Market Risk Advisory Committee's (MRAC) Subcommittee on Interest Rate Benchmark Reform's SOFR First Initiative for transitioning USD interdealer swap market trading from LIBOR to the Secured Overnight Financing Rate (SOFR). SOFR First, inclusive of all four phases, will accelerate progress in the transition away from LIBOR and promotes greater SOFR adoption. We commend CFTC Acting Chair Benham for his leadership on this topic.

Since 2014, JPMC has been deeply engaged as a member of the Alternative Reference Rates Committee (ARRC) to promote a smooth transition away from LIBOR. Additionally, JPMC has been engaged with the MRAC Interest Rate Benchmark Sub-Committee and the ARRC to advance the SOFR First initiative. JPMC strongly supports SOFR First and encourages all market participants to adopt the MRAC's recommended market best practices: (1) for interdealer brokers to change USD linear swap trading conventions from USD LIBOR to SOFR on July 26, 2021 and (2) to turn off interdealer broker LIBOR linear swap screens after October 22, 2021.

U.S. Banking regulators issued supervisory guidance<sup>1</sup> urging no new USD LIBOR-based contracts, including derivatives, by year-end 2021. With just 5 months until the "no new LIBOR" deadline, it is important that market participants adopt SOFR conventions for linear derivatives on July 26 and Cross-Currency Swaps, Non-Linear Derivatives and Exchange Traded products later this year.

As a market-leading dealer in the derivatives markets, both interbank and with end user clients, at JPMC, our focus has been on accelerating the transition to SOFR. We have been streaming a full curve of SOFR interest rate swaps to the leading dealer-to-client platforms for well over a year, and as of last month are doing the same for SOFR swap spreads.

The final step in the ARRC's Paced Transition Plan (PTP) is the "creation of a term reference rate based on SOFR derivatives market." The MRAC vote and market adoption of SOFR First is a critical step towards ensuring robust underlying liquidity in SOFR derivatives markets. As the ARRC and regulators have noted, once the convention switch is in place, the ARRC expects that its market indicators for a SOFR term rate will have been met, allowing the ARRC to formally endorse the CME SOFR term rates very shortly thereafter. The ARRC endorsement of SOFR term rates will help support market participants' transition to SOFR by year-end.

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<sup>1</sup> [Statement on LIBOR Transition](#) (November 30, 2020) and [SR 21-7: Assessing Supervised Institutions' Plans to Transition Away from the Use of the LIBOR](#) (March 9, 2021)